

**“THE IMPACT OF CRUISE SHIP TOURISM ON
LOCAL ECONOMIES” PANEL CZ 05**

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Cruise tourism has been the fastest growing sector of the tourist industry for the past twenty years. Since 1980, the industry has had an average annual passenger growth rate of 8.1% per annum. Since 1980, nearly 100 million passengers have taken a deep-water cruise (2 + days). Thirty-seven percent of total passengers have been generated in the past five years alone. This growth is expected to continue into the future. Although cruise tourism can increase economic activity, cruise ship destinations are finding that the environmental and cultural impacts can be substantial. These impacts are particularly noticeable in small island destinations. Accounting for the net economic and fiscal impacts as well as the social and environmental impacts of cruise ship tourism is being given increased attention as cruise ship activity continues to take a larger slice of the tourism pie

This panel will review the experiences of tourism destinations in North America and the Caribbean region based on studies on the region as a whole and recently completed studies in Key West, Florida. The presentations will focus on key issues, methodologies used in assessing relative impacts, and key findings of the individual studies. Based on those findings, the panel will discuss options that tourist destinations can take to capture the economic benefits associated with cruise ship tourism while at the same time protecting the quality of life of host communities.

OVERVIEW OF THE SOCIOECONOMIC IMPACTS OF CRUISE TOURISM

Christy Loper, University of Delaware

Cruise tourism is often cited as the fastest growing segment of the leisure tourism industry, with travel to the Caribbean region accounting for about 50 percent of the global market. In 1999, the Caribbean region hosted over 12 million cruise passengers. However, the social, economic, and environmental impacts of the cruise industry are not well understood and have been neglected in the literature. Studies on social impacts of cruise tourism are “practically nonexistent” (Wood, 2000) and little research has been done to quantify the economic effects of cruise tourism on port states (WTO 2003).

The cruise industry has the potential to provide economic benefits to a port state. However, accommodation of large cruise ships into port requires a great deal of initial capital investment in infrastructure as well as maintenance costs. As cruise ships continue to grow larger, further investment may be required. Under these types of tourism scenarios with high infrastructure or environmental costs, rapid growth of tourism may result in a stagnation of or even a decline in GDP (Chase, 2001). Without significant foreign investment into this infrastructure, it is questionable whether construction of large cruise ship terminals could pass a benefit-cost analysis.

Cruise ship tourism generates revenue for a port state through passenger spending, per-person head taxes, and other fees. Passenger spending is thought of as the greatest benefit in support of cruise tourism on a given island, with the gross passenger spending on the order of US\$75-100 per day (PricewaterhouseCoopers, 2003). However, these numbers can be misleading because they are not corrected for leakage—the occurrence of tourist revenue flowing out of the country in which it was spent, a particular problem for many small islands since a high proportion of food and goods must be imported. Once leakage is taken into account, passenger spending numbers fall dramatically, providing much less economic benefit to an island nation.

Social impacts may result from high volumes of cruise tourists occupying the same geographical area (i.e., that area immediately surrounding the cruise ship terminal) during similar times of day (usually mid- to late morning until late afternoon). To illustrate, Jaakson (2004) describes a “tourist bubble” within which a majority of cruise ship passengers will spend their time while in port, with the core of the bubble experiencing a dramatic increase in pedestrian traffic when cruise ships are in port. Jaakson describes the tourists exhibiting pack behavior—acting as though they were connected by a “behavioral umbilical cord,” disembarking from the ship as a group, proceeding down the pier together, and heading toward the city center en masse. Overcrowding caused by this behavior can inconvenience and annoy local residents, causing the locals to alter their daily behavior to avoid the central business district while cruise ships are in port.

Although difficult to quantify, these social and economic impacts should be taken into account by decision makers in port states, particularly island ports of call. Management techniques, such as further regional collaboration to raise head taxes in order to increase economic benefits and limiting total cruise passengers to reduce social impacts, will be discussed during the panel.

IMPACTS OF CRUISE SHIP TOURISM AS DETERMINED BY STUDIES ON CRUISE SHIP PASSENGERS, OTHER VISITORS AND THE RESOURCE-BASED USER COMMUNITY

Manoj Shivlani, University of Miami

Cruise tourism has exploded around the Caribbean in the past decade and especially in the City of Key West, Florida, where the passenger totals have increased from over 400,000 in the mid-1990s to almost one million passengers in 2003. While the economic impacts of increased visitation can be measured (in terms of the economic benefits derived), they need to be contrasted with the socioeconomic and quality of life costs imposed on residents and user groups in the region. Moreover, as a diversified tourist economy in which only a segment of tourism is the cruise ship industry, Key West must determine the long-term impacts of large-scale, cruise ship visitation on both other tourism sectors and other economies.

The purpose of this study – which is a part of the larger Key West Quality of Life Study – is to determine the socioeconomic impact and perceptions of cruise ship and general visitor groups in Key West, as determined by a formal survey study, and to evaluate the socioeconomic effects of cruise tourism on the stakeholders in the region. Conducted by following accepted survey design procedures, the first part of the study has involved the survey of cruise passengers and other visitors (arriving mostly by air and land), obtaining information on their expenditures while in Key West and their perceptions on amenities and resource quality. The stakeholder study has consisted of detailed interviews with nonconsumptive and consumptive users on their views on changes in resource conditions following the rise of the cruise industry, the impacts of the cruise industry on their economies, and the general changes on the quality of life in Key West over the past decade.

The study is comprised of two, separate projects. The first project, which targets tourist groups, characterizes cruise ship and general visitors, as determined by sixty field sessions (of two hours each) during which surveyors collect socio-demographic, expenditure, and perceptions data from cruise passengers and general visitors. Implemented over a period of two summer and two winter months, the data collected shall provide meaningful information on the economic contributions of different visitor types in Key West, their perception on resource and amenity quality in the city, and their willingness to return for another vacation. The second project, set up as a series of ethnographic interviews with seventy consumptive and non-consumptive stakeholders

(mainly water operators such as dive and other charter operators, charter boat operators and guides, and commercial processors and fishers), determines the long-term effects of cruise tourism on local resources and quality of life, reliance of local industry on cruise tourism, and means by which cruise tourism can be modified (if necessary, that is) to be sustainable in Key West.

Information obtained from the results of this study can be used to inform not only Key West but other locations in the Caribbean and in other coastal areas, on the effects of cruise tourism, as determined by the visitors and stakeholders, thereby elucidating both the long-term impacts and cross-sectoral impacts of the industry.

PUBLIC PERCEPTION AND IMPACTS OF CRUISE SHIP TOURISM IN KEY WEST

James B. London, Clemson University

The city of Key West is the most active cruise ship port in the Continental U.S. Cruise passenger disembarkations have tripled in the last five years. This expansion has added to the tourism the city's traditional tourism base. It has also increased substantially the city's revenue base that is now dependent on cruise-related fees for over 20 percent of its revenue stream. At the same time, increased cruise ship activity has become somewhat contentious in this four square mile city. Some of the city's merchants and attractions draw heavily from cruise ship trade. Others in the business community including lodging establishments and some restaurants are concerned that cruise ship passengers are crowding out their traditional customer base. Locals and especially those in the downtown historic district complain about impacts on their quality of life. It's a classic case of those deriving substantial economic benefits on the one hand and those deriving little economic but feeling a loss of quality of life on the other.

This body of the paper is divided into two parts. The first part will focus on public perception of cruise ship activity as drawn from public meetings and surveys of residents, business establishments, and workers. Each of those groups shares their perceptions on tourism and cruise ship tourism in particular and offer suggestions as to how the city might deal with the issue. The second part of the paper focuses on impacts of cruise ship activity. The economic impact is estimated based on tourist expenditure surveys, business surveys and secondary local information. Fiscal impacts of tourism are estimated based on effort expended by individual city departments for tourism and cruise ship tourism. That cumulative effort is weighed against cruise ship tourism revenues to determine a fiscal balance. Environmental impacts are compiled from historical and current inventories to determine the relationship between cruise ship activity and environmental quality in Key West and adjacent environmental resources.

Based on this background, the paper will outline options to mitigate the adverse impacts of high volume cruise tourism. The discussion will first be generalized to relate to quality

of life issues and economic and fiscal trade-offs in cruise ship destinations. The discussion then will focus on specific initiatives being considered in the city of Key West to balance competing interests related to cruise ship activity.

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